

Consumer's Guide to:
Homeowners
& Renters
Insurance



DIFP
Department of Insurance
Financial Institutions &
Professional Registration

Thinking about insurance

For nearly all consumers, a home or apartment represents a large investment. But suppose your home is robbed or damaged by a storm. Purchasing insurance can protect you from such unpredictable losses. For your information, or in the event of a loss, it is a good idea to make a list of your personal property, including the original cost. Also, maintain receipts or pictures of your possessions and keep this information in a secure place, such as a safe deposit or lock box.

Selecting an insurance agent

Your insurance agent or broker can give you advice in solving your insurance questions or problems. Agents and brokers must be licensed by the Missouri Department of Insurance, Financial Institutions, and Professional Registration (DIFP). Be sure you are doing business with a licensed agent or broker by requesting proper identification.

Purchasing insurance

When purchasing insurance it is important to READ YOUR POLICY. Your policy is the contract between you (the insured) and your insurance company (the insurer). The time to learn about your coverage and conditions is not after you have suffered a loss but before, while you have the opportunity to discuss the policy with your agent. If you do not understand the policy or want to modify it, contact your insurance agent or company for additional information.

The written application for insurance that usually becomes a part of the policy is also important. Carefully examine the application before signing it to make sure the information is accurate and complete.

Types of Policies

To qualify for homeowners insurance, other than renters or condominium insurance, a dwelling must be owner-occupied and used exclusively for private, residential purposes. The dwelling can contain no more than two families and not more than two roomers or boarders per family. A company may set additional underwriting requirements for individuals who do not meet these eligibility requirements.

As a general rule, five types of homeowners policies are sold in Missouri. Four types of insurance policies provide coverage for owner/occupants of one and two-family houses. The other policy provides insurance for renters of a house or an apartment. Here are some examples of homeowners insurance policies and perils that are covered by those policies:

Homeowners broad form (HO-2)

1. fire or lightning
2. windstorm or hail
3. explosion
4. riot or civil commotion
5. aircraft
6. vehicles
7. smoke
8. vandalism or malicious mischief
9. theft
10. falling objects
11. weight of ice, snow or sleet

12. accidental discharge or overflow of water or stream
13. sudden or accidental tearing apart, cracking, burning or bulging
14. freezing
15. sudden and accidental damage from artificially generated electrical current
16. volcanic eruption

Homeowners special form (HO-3)

Covers a building against perils except flood, earthquake, neglect, war, nuclear accident and others specified in your policy. Covers personal property against damage or loss caused by perils listed in Form HO-2. Check your policy for complete listing of perils excluded.

Homeowners policy for renters – contents broad form (HO-4)

If you rent a house or an apartment, HO-4 insures your household contents, personal possessions, additional living expense, liability coverage and medical payments. It covers all perils listed in form HO-2.

Homeowners special form (HO-5)

Many companies offer this special homeowners policy which covers all perils listed in Form 3, but offers additional coverage including automatic replacement cost coverage on contents and an inflation protection feature. Check your policy for a complete listing of perils excluded.

Homeowners condominium policy (HO-6)

The HO-6 is available for condominium unit owners to insure their personal property and may include additions or alterations not insured by the condominium association. Covers all perils listed in HO-2, personal liability and medical payments coverage.

Homeowners actual cash value policy (HO-8, building & contents)

The HO-8 policy is designated for older homes in which replacement cost would greatly exceed the market value. The policy stipulates returning the property to serviceable condition with commonly used materials.

Other coverage included in your homeowners policy

Personal Liability

Personal liability provides coverage if you are legally liable for damages that are caused by you, a member of your family or a pet. You should read your policy to determine the dollar amount of your liability coverage. This limit may be increased for an additional premium.

Medical Payments

Homeowners and renters policies also include medical expenses, regardless of whether or not you were negligent, up to \$1,000 per person and \$100,000 per accident for injuries occurring in your home to anyone other than you or a member of your family. Medical payments cover injuries outside your home if they are caused by you, a member of your family or a pet. These limits may be increased for an additional premium.

Optional coverage

Guaranteed replacement cost coverage

One-hundred percent (100%) replacement cost coverage is the most complete coverage for your home and/or its contents. To obtain this type of policy, you must meet underwriting rules and conditions of the company. This may include increasing the amount of your insurance on a monthly, quarterly or yearly basis to keep up with the inflation rate. Check with your insurance agent to determine if an additional premium is required and if exclusions or limits of liability apply.

Replacement coverage endorsement

A replacement coverage endorsement usually requires that you actually replace your contents before the insurer is obligated to pay for those replacement items. Until you actually replace your contents, the company is only obligated to give you an amount equal to the actual cash value of your contents.

Personal article floater

A personal article floater provides all risk coverage for possessions such as jewelry, furs, stamps, coins, antiques and other items that may exceed normal limits in your regular homeowners policy. A personal article floater itemizes each article insured and lists excluded perils.

Earthquake

Earthquake insurance is available through most insurance companies at an additional cost. It is normally issued as an endorsement and attached to your homeowners or fire policy.

Flood insurance

The Federal Insurance Administration of the Federal Emergency Management Agency administers a program to make flood insurance available in flood-prone areas. To qualify for flood insurance, your property must be located in a community or county that has agreed to the plan and land-use control measures to reduce flooding.

In 1983, the program was opened to private insurers under a Write Your Own (WYO) program providing for government reimbursement of losses not covered by premiums and income derived from the investment of those premiums. For further details, contact:

NFIP Region VII Office
601 n. Mur-Len Rd., Suite 108
Olathe, KS 66062-5445
913-780-4238
<http://www.fema.gov/business/nfip>

How insurance rates are determined

DIFP does not set insurance rates. An insurance company sets its own rates based on claims, operating expenses, investment income and profit. Inflation costs and competition are considered in determining charges for a particular coverage. Other major factors include:

1. Number of miles from a fire department
2. Location inside or outside of city limits

3. Number of feet from a fire hydrant
4. Construction of your home (brick or wood frame)

Cost, protection and service are extremely important in obtaining insurance. Shop around, check with agents and ask questions when looking for the best value available in service and protection.

Tips for lowering your premiums

Deductibles

Your homeowners insurance premium will decrease if you raise the deductible amount of your policy. A deductible is the amount of any loss you will pay before the insurance company covers any damages. For example, if you have a \$1,000 deductible on your insurance policy and your \$900 television set is stolen or damaged, your insurance company will not cover the loss. If the television set has an actual cash value of \$1,200 and is damaged or stolen, you would pay the first \$1,000 and the insurance company would pay the remaining \$200. A higher deductible may reduce the premium by as much as 25 percent.

Home improvement

When you purchase a new home or renovate an old one, you may be eligible for credits or discounts. These reductions vary, and not all insurance companies issue the same credit. Contact your agent to determine if these credits are available or if your premium can be reduced by updating wiring, plumbing, heating/air conditioning units or installing safety devices such as smoke, fire or burglar alarms, dead bolt locks and fire extinguishers.

Filing a claim

Getting an estimate

If you suffer a loss to your home or property, contact your agent or insurance company first. The company or agent will arrange for an adjuster to examine the damage and give you an estimate of the cost of repair or replacement. Do not hesitate to request assistance from your insurance agent in filling out your claim.

You may wish to obtain an estimate from a contractor to compare with the insurance company's estimate. Some contractors charge a fee for this service; but you may be able to obtain a credit for a fee, if the contractor completes the repair.

If your property has been damaged, you should avoid any further loss. For example, if windows are broken, board them up to protect against vandalism or weather damage. The cost of boarding up windows may be covered in your homeowners policy.

Your insurance company has the right to inspect the property in its damaged state and can refuse to reimburse you for any damage repaired before the company's inspections. Do not initiate permanent repairs until your insurance company has inspected the property and you have discussed the terms of the agreement on the cost of repairs.

Insurance companies have an obligation to pay claims promptly and fairly. However, if the value of the loss is disputed, the policy provides for an appraisal. Look at the appraisal clause in your policy for instructions on how to proceed or check with your agent or company representative. If you require further assistance, contact the DIFP.

Cancellation or non-renewal

Missouri law prohibits insurance companies from cancelling, failing to renew or refusing to write a residential fire or homeowners insurance policy based on a person's place of residence or geographic location, age, race, sex, creed, color, national origin, ancestry or lawful occupation, including the military service. Companies are prohibited from refusing to write policies based on another insurer's cancellation, refusal to write or refusal to renew an existing policy.

The law provides that any policy in effect for more than 60 days may not be cancelled except for the following reasons:

1. Nonpayment of a premium.
2. Fraud or material misrepresentation affecting the policy, in the presentation of a claim or in violation of any terms or conditions of a policy.
3. The name of the insured or any occupant of a property is convicted of a crime arising out of acts which increase the hazard
4. Physical changes in the insured property that increase the hazard.

A non-renewal policy or a policy in effect for less than 60 days can be cancelled for any reason, as long as the insurance company states a reason for the cancellation.

A 30-day notice and the specific reason for cancellation or non-renewal of a policy must be provided in writing to the policyholder. A 10-day notice is required if the premium has not been paid. This notice must provide information about the availability of Missouri Fair Plan Insurance coverage. Any refund due must be paid promptly by the company. If you have a complaint, please contact DIFP.

FAIR Plan

The FAIR Plan officially the Missouri Property Insurance Placement Facility is supported by all insurance companies that write fire and extended coverage in Missouri. Along with fire coverage, the FAIR Plan offers extended coverage for loss due to wind, hail, smoke, explosion, aircraft or vehicles, riot or civil commotion, vandalism and malicious mischief and does not include theft and liability insurance. The FAIR plan should be considered only when you are unable to obtain coverage from any other insurance company. The FAIR Plan does not write traditional comprehensive homeowners policies. Premiums may be higher than those for coverage available in the regular market. The FAIR Plan writes policies for the Crime Insurance Program previously Federal Crime Insurance Program. Consider this policy only when you are unable to obtain coverage from any other company.

Information about the FAIR Plan is available from your insurance agent, company representative or through:

Missouri Property Insurance Placement Facility
906 Olive Street, Suite 1000
St. Louis, MO 63101
314-421-0170
1-800-398-7240

What to do if you have a complaint

Many complaints are the result of a misunderstanding, so check with your insurance agent or company representative first. If you require further assistance or believe your claim has not been handled properly, you can file a complaint at <http://www.insurance.mo.gov> or at:

Missouri Department of Insurance, Financial Institutions
& Professional Registration
P.O. Box 690
Jefferson City, Mo 65102-0690
314-751-2640
1-800-726-7390

Remember, DIFP cannot act as your attorney in private legal matters and has no authority to act as a court of law to solve questions of fact. When you contact the department, be sure you can support your allegations. Send copies (not originals) or any papers or information that may help in processing your complaint.

This brochure is intended for general use by consumers and is not a comprehensive guide to insurance laws. Also, differences may exist between your policy and the examples presented in this guide.

Glossary

Actual cash value: Replacement cost less depreciation

Additional living expense: The extra living expense incurred while the property damaged (by an insured peril) is repaired.

Adjuster: A person who seeks to determine the amount of loss when an insurance claim is submitted and attempts to settle the claim.

Agent: A person who represents one or more insurance companies, under contract, in a sales or service capacity and is paid a commission.

Appraisal: A method of determining the amount of loss when a disagreement exists between the insured and the insurance company.

Broker: A marketing specialist who represents buyers of insurance and deals with either agents or companies in arranging coverage by a customer.

Claim: A demand to recover, under an insurance policy, for a loss covered by that policy.

Conditions: Your duties and a list of rules if a loss occurs.

Declaration: The part of a policy that includes information such as the name and address of the insured, the property insured, its location and description, the policy period, the amount of insurance coverage and applicable premiums.

Deductible: An amount that the policyholder agrees to pay, per claim or per accident, toward the total amount of insured loss.

Depreciation: A decrease in the value of property due to wear and tear or obsolescence.

Endorsement: Additional information attached to your policy that changes the provisions in your policy. Sometimes called a rider.

Exclusion: Perils not covered by your insurance policy or contract.

Floater: Applied to movable property, wherever it is located, within the territorial limits specified in your policy. The coverage “floats” with the property.

Insuring agreement: The part of an insurance policy that states the company’s agreement to protect you and your property from loss or damage.

Liability coverage: Insurance covering injuries to another person or damage to another person’s property for which the insured is legally liable.

Limits: The maximum amount of benefits an insurance company agrees to pay in the event of a loss caused by an insured peril.

Market value: Value of your property if you were to place it on the market.

Peril: The cause of loss such as fire, theft, tornado and smoke.

Premium: The amount you pay for an insurance policy.

Proof of loss: A written statement involving a claim, that the policyholder submits to the insurance company. The company uses this information to determine its liability under the policy.

Property coverage: Insurance providing protection against the loss or damage to real or personal property caused by specified perils covered in your insurance policy or contract.

Replacement Cost: Replacement of property without depreciation.